NCA
VOC FOR PGM/FN
BACKGROUNDER NO. 5-5970 JULY 7, 1978
FRANK M. FEINBERG

OUTLOOK FOR U. S. STEEL IMPROVES

ANNCR:

THE OUTLOOK FOR THE AMERICAN STEEL INDUSTRY HAS IMPROVED OVER THE PAST YEAR. VOA BUSINESS AND ECONOMIC EDITOR FRANK FEINBERG HAS THIS BACKGROUND REPORT:

VOICE:

THE AMERICAN STEEL INDUSTRY LIMPED ALONG FOR MUCH OF LAST YEAR, BESET BY FALTERING ORDERS AND STIFF COMPETITION FROM OVERSEAS STEEL PRODUCERS. BUT THIS YEAR IT IS A DIFFERENT, MORE FAVORABLE SITUATION: A RESURGENCE OF DEMAND IS KEEPING THE BLAST FURNACES ROARING.

CURRENTLY, AMERICAN STEEL MILLS ARE OPERATING AT NINETY-TWO PER CENT OF CAPACITY. AND MORE THAN THREE-HUNDRED-THIRTY THOUSAND PRODUCTION WORKERS ARE TURNING OUT STEEL. RAW STEEL OUTPUT IN THE UNITED STATES THIS YEAR COULD CLIMB TO ONE-HUNDRED-THIRTY-TWO MILLION METRIC TONS. THAT'S SIX PER CENT MORE THAN THE 1977 TOTAL.

ALTHOUGH STEEL NO LONGER HOLDS A PARAMOUNT POSITION IN THE U.S. ECONOMY, IT NEVERTHELESS STILL RANKS WITH THE IMPORTANT INDUSTRIES. AND THIS YEAR'S BIG IMPROVEMENT HAS RESULTED IN THE RECALL OF THOUSANDS OF LAID OFF STEEL WORKERS, AND THE HIRING OF NEW EMPLOYEES.

ALSO, WITH DOMESTIC STEEL MILLS NOW OPERATING AT HIGH CAPACITY, U.S. IRON ORE PRODUCERS ARE BOOSTING CAPACITY BY MORE THAN TWENTY PER CENT OVER THE NEXT EIGHTEEN MONTHS. AS THE YEAR ROUNDS THE HALF-WAY MARK, THE ORE PRODUCERS ARE HEADED FOR AN ESTIMATED OUTPUT THIS YEAR OF CLOSE TO NINETY MILLION METRIC TONS. THIS WOULD PUT DOMESTIC IRON ORE OUTPUT ON A PAR WITH

1976'S OUTPUT, AND A MAJOR ADVANCE OVER LAST YEAR'S DEPRESSED SIXTY-TWO MILLION METRIC TONS.

IT'S NOT ALL CLEAR SAILING FOR THE AMERICAN STEEL INDUSTRY. AT PRESENT DEMAND IS DOWN FOR STEEL IN MANY OF THE INDUSTRIALIZED COUNTRIES THAT ARE MAJOR STEEL PRODUCERS. AND THIS INTENSIFIES COMPETITION FOR AVAILABLE GLOBAL BUSINESS. MEANTIME, SOME ADVANCED DEVELOPING COUNTRIES SUCH AS BRAZIL AND SOUTH KOREA HAVE BECOME IMPORTANT FACTORS IN INTERNATIONAL SALES OF STEEL.

THE AMERICAN STEEL INDUSTRY MUST CONTINUE TO INVEST VERY LARGE SUMS OF MONEY TO MEET GOVERNMENT ANTI-POLLUTION REQUIREMENTS, AND TO MODERNIZE BOTH FACILITIES AND PROCESSES. AND STEEL'S STATUS DEPENDS ON THE STATUS OF THE OVERALL DOMESTIC AND WORLD ECONOMIES. BUT, NOT WITHSTANDING, AMERICAN STEEL PRODUCERS FOR THE TIME BEING ARE MORE OPTIMISTIC THAN THEY WERE A YEAR AGO.

JS/RCS